

MINUTES
MICHIGAN STATE TRANSPORTATION COMMISSION
JULY 31, 2003
LANSING, MICHIGAN

Meeting noticed in accordance with the Open Meetings Act, Public Act 267 of 1976.

Present: Ted Wahby, Chairman
 Betty Jean Awrey, Vice Chairwoman
 Lowell Jackson, Commissioner
 John Garside, Commissioner
 C. Robert Baillod, Commissioner
 Robert Bender, Commissioner

Also Present: Gloria J. Jeff, Director
 Pat Lockwood, Commission Advisor
 Jerry Jones, Commission Auditor
 Pat Isom, Assistant Attorney General
 Rob Abent, Bureau of Multi-Modal Transportation Services
 Leon Hank, Chief Administrative Officer
 Larry Tibbits, Chief Operations Officer
 Myron Frierson, Bureau of Finance and Administration
 John Friend, Bureau of Highway Delivery
 Kirk Steudle, Chief Deputy Director
 Susan Mortel, Bureau of Transportation Planning
 Barbara Burris, Michigan Aeronautics Commission

A list of those people who attended the meeting is attached to the official minutes.

The meeting was called to order by Chairman Wahby at 9:07 a.m. in the first floor auditorium of the Bureau of Multi-Modal Transportation Services, 2700 E. Airport Service Drive, Lansing, Michigan.

I. COMMISSION BUSINESS

Turning to the first item of business, the Chairman entertained a motion for approval of the minutes of the workshop and State Transportation Commission meeting of June 25, 2003.

Moved by Commissioner Baillod, with support from Commissioner Jackson, to approve the minutes of the workshop of June 25, and Commission meeting of June 26, 2003.
MOTION CARRIED.

The Chair called on Director Jeff for a briefing on items noted as follows:

II. DIRECTOR'S REPORT – DIRECTOR GLORIA J. JEFF

The Director's remarks are paraphrased as follows:

Agnew Roadside Park Designation Honoring Terry Gotts (1945-2003)

In a brief ceremony, a plaque honoring the life, memory, and service of Terry Gotts, deceased, was presented to his widow, Ms. Lil Gotts, by Director Jeff and Chairman Wahby. Director Jeff shared anecdotal information on her association with Mr. Gotts and remarked on the many contributions made to the transportation community by Mr. Gotts during his tenure in Planning at MDOT. "Mr. Gotts represented the very best that MDOT is about and the very best that MDOT hopes to be," she stated. In addition to the plaque, a roadside park near Muskegon, where Mr. Gotts grew up, will be renamed in his honor.

Update on 5 Year Plan -Project Update

The \$200 million previously identified by the State Transportation Commission (STC) has been added to the five-year program for funding capital improvements, bringing the total road and bridge program to \$6.4 billion over the life of the five-year program (2003-2007), or \$1.3 billion annually. Seventeen capacity improvement projects have been recommended for reinsertion, creating approximately 600,000 construction-related jobs. The 17 projects represent approximately \$250 million in road and bridge repairs. In addition to the \$200 million identified by the STC, the Legislature and the Governor have identified an additional \$50 million over the life of the five-year program to address the additional \$50 million needed for road and bridge reconstruction. The department's five-year program has been updated to include the reinstated projects. Copies of the revised five-year plan will be distributed and posted on the MDOT Web site. Commissioners were provided a list of the 17 reinserted projects. Director Jeff invited questions or comments.

Update on Transportation Summit, December 2003

Team MDOT has three priorities for 2003, one of which is *partnership*. The focus on partnership will pull together all of the entities involved in providing transportation for the citizens of Michigan, whether they be from the advocacy or the for-profit community. These entities, some 35 organizations from around the state, have been brought together to establish a fiscally responsible vision for transportation in the State of Michigan. The summit is scheduled for December 3rd and 4th at the Lansing Center. Some 600 participants are expected to take part in the summit. In addition to the Lansing sessions, the department is researching the feasibility of Web casting the conference on a regional level throughout the state. A planning committee has identified representatives of a broad cross-section of the transportation community and a list of topics for discussion representing the full breadth of multi-modal considerations with respect to transportation;

i.e., how do we connect transportation and land use, how do we do a better job of focusing on safety and making sure transportation is safe not just on highways, roads and streets but with respect to rail, air and public transport; how do we hook into the question of advancing the state of the practice as well as the state of the art; how we contribute to economic activity through commerce and trade. All of the members of the STC will be invited to participate in the summit. Director Jeff invited questions from the Commission.

Update on Detroit Area Regional Transportation Authority (DARTA)

An intergovernmental agreement signed between the members of the Regional Transportation Coordinating Committee and greater Detroit resulted in the creation of the Detroit Area Regional Transportation Authority (DARTA). The authority will have power to plan, design, and coordinate regional public transportation. Director Jeff emphasized that the resulting entity is not a merger between the Detroit Department of Transportation and SMART, but rather an effort to bring forward a coordinated approach to the provision of public transportation. It will plan and allocate the use of state and federal monies. The powers and responsibilities of the Regional Transportation Coordinating Committee will be transferred to this entity as the designated recipient of federal funds for the greater Detroit area. It will hire an executive administrator and appoint a citizens advisory committee as well as sponsor advisory committees relative to elderly and handicapped ridership. The service area will include the counties of Oakland, Wayne, Macomb, Monroe, and the City of Detroit.

Update on MDOT's Participation in Upper Peninsula State Fair

For the first time ever, MDOT will be an active participant in the state fair to be held in the Upper Peninsula in August 2003. Larry Tibbits, representing the Executive Division, and staff of the Office of Human Resources will man a booth and provide an opportunity for members of the community to voice concerns as well as learn about employment opportunities and promote work zone safety. In addition, the fair will provide an opportunity to interact with our partners in local government and other agencies located in the Upper Peninsula. The Governor is expected to participate. Members of the Commission were invited to participate.

Project Clean Streets

Project Clean Streets is based on an alliance with the Department of Corrections, local sheriffs and police departments, and will provide an opportunity to keep roadways clean and litter free by leveraging individuals who are repaying their debt to society. Minimum security prisoners will be utilized on maintenance of the state's roadways. The program will target urbanized areas. Director Jeff indicated that this will be a win-win proposition

for Michigan taxpayers. Larry Tibbits will be the liaison between MDOT and the Department of Corrections. Director Jeff invited questions from the Commission.

Update on Bid Lettings/Balance of Fiscal Year

Director Jeff reported that the department had let approximately \$600 million in projects to date for FY 2003-2004, with another \$200 million expected to be let over the next couple months. In the state program alone, almost \$800 million worth of projects will be let. With another \$300 million plus for the local program, the total program will be just over \$1.1 billion. This equates to approximately four percent more than last year. With the aid of a bar chart, the Director compared the number of lettings over the period 1998 to present, which illustrated a peak in 2001, due to an accelerated program, and a return to more realistic levels thereafter. The programs have maintained fairly consistent levels since 2001, at just over \$1 billion plus.

Introduction of Ron DeCook, Director of Governmental Affairs

Director Jeff asked the attendees to welcome Ron DeCook who has been appointed to oversee the Office of Governmental Affairs.

Introduction of John Polasek, Engineer of Development

John Polasek, who, the Director noted, brings a rich history and knowledge of transportation, has been promoted to the position of Engineer of Development. Mr. Polasek was integral in finalizing the department's 2004 budget.

Commissioner Bender thanked the Director for participating in the Aeronautics Commission meeting held the previous week in Battle Creek and asked her to expand on her ride in a Waco Classic biplane, the only aircraft currently being manufactured in Michigan.

Director Jeff asked those present to envision Snoopy and the Red Baron. She described the experience in the open cockpit biplane, with a top speed of approximately 100 MPH, as an extraordinary opportunity and a total sense of freedom.

Returning to the agenda, Chairman Wahby directed attention to Exhibit A in the Commissioners' notebooks.

III. OVERSIGHT

Ms. Pat Lockwood, STC Advisor, pointed out revisions of note on Contract Items 4 and 5, which are subject to approval based on the completion of an internal audit.

The Chairman entertained a motion to approve Exhibit A, subject to a review of items 4 and 5.

With regard to Attachment 1, Commissioner Awrey inquired whether payment could be anticipated with regard to the agreement with the City of Detroit from 1999, pertaining to signal maintenance.

Director Jeff responded that the contract had been closed out on January 8, and was in the process of being collected from Wayne County.

Jerry Jones, Commission Auditor, noted that the contract is a multi-party agreement awaiting execution. He added, the City of Detroit has executed its portion and the contract has been forwarded to Wayne County for approval. MDOT's Metro Region staff are monitoring payment of the contract.

The Chair called for a motion for approval of Exhibit A.

It was moved by Commissioner Bender, with support from Commissioner Awrey, to approve the contracts identified in Exhibit A. MOTION CARRIED.

The Chair proceeded to the next item, approval of Exhibit A-1, "Bid Letting Pre-Approvals."

Revisions to Exhibit A-1, Items 21 and 22, were noted by Ms. Lockwood-items listed under local projects, which should have been identified as state projects.

Mr. Myron Frierson, Director of Finance, further explained that the numbers listed in the Summary would be revised to reflect a new total for state projects at \$51.6 local projects at \$20.4 million. The dollar total remains the same.

Summarizing the July letting, Mr. Frierson indicated that 43 state projects were let with engineers' estimates at \$40,400,000. Actual bids were slightly above at \$40,665,000. Since the release of the document, issues related to 11 items have been resolved. He asked for approval of four of the items. Current bids to be announced, pending STC approval, total \$6.4 million. Mr. Frierson added that Bid Express continues to be a successful project. The contracting community will be encouraged to continue using it. Mr. Frierson asked for Commission approval of Attachments A, A-1, A-2, and A-4.

The Chair entertained questions from the Commission.

Ms. Lockwood requested clarification from Mr. Frierson on items that had been withdrawn; i.e., Items 2, 3, 6, 7 and 8 of Exhibit A-2.

Mr. Frierson reiterated that issues relating to several of the items had been resolved, consisting primarily of low-bid rejections from the advisory committee. He added that changes recently enacted would allow the announced low bidder to retain the contract.

Whereupon, the Chair called for a separate motion on each of the exhibits, beginning with Exhibit A-1.

It was moved by Commissioner Awrey, with support from Commissioner Garside, that Exhibit A-1 be approved with the changes noted. MOTION CARRIED.

Reiterating items withdrawn from Exhibit A-2 (Items 2, 3, 6, 7 and 8), the Chair called for a motion to approve Exhibit A-2.

Moved by Commissioner Garside, with support from Commissioner Jackson, to approve Exhibit A-2. MOTION CARRIED.

A follow-up question regarding the engineer's estimated was posed by Commissioner Awrey. She inquired as to the process for developing the engineer's estimate. She directed attention to the first project listed, relating to roadway grading.

Mr. Polasek responded to the question by indicating that complexities associated with steep slopes and special conditions, including bridge removal and railroad work and widening, had impacted on the economics of the first project listed. The estimate was low as it did not take all of the aforementioned considerations into account.

Commissioner Awrey pointed out that all of the engineers' estimates depicted in the Summary of the July 9 Bid Letting were low.

Mr. Polasek explained that lump sum proposals are difficult to estimate; that the estimator would look at similar projects and take into account specific conditions in arriving at the estimated cost.

Commissioner Jackson opined that a combination of unbalanced bids would not be reflected in lump sum bids with respect to actual costs.

With regard to Exhibit A-2, Commissioner Baillod inquired whether the engineer's estimates were prepared in-house or by a consultant.

Mr. Polasek responded that the estimates were prepared in-house. He added that with regard to Exhibit A-2, Item 2 would remain rejected based on a non-prequalification ruling; that Items 3, 6, 7, and 8 had been reinstated through the appeals process.

The Chair entertained a motion on approval of Exhibit A-2, excluding items noted as withdrawn.

Moved by Commissioner Jackson, with support from Commissioner Awrey, to approve Exhibit A-2. MOTION CARRIED.

The Chair directed the Commissioners' attention to Exhibit A-3.

Mr. Polasek explained that Exhibit A-3 was being admitted for informational purposes only; that items under \$500,000 do not require Commission approval.

Ms. Lockwood noted revisions to Exhibit A-3. She indicated that Item 4 of Exhibit A-3 had been withdrawn.

Mr. Frierson added that Item 1 in Exhibit A-4 had also been withdrawn.

Ms. Lockwood further noted that Item 1 in Exhibit A-3 was also being withdrawn from consideration. This item had been let and withdrawn and resulted in all bids being rejected.

The Chair entertained a motion to approve Exhibit A-4, "Bid Letting Not Pre-Approved."

Moved by Commissioner Baillod, with support from Commissioners Awrey and Garside, to approve Exhibit A-4. MOTION CARRIED.

The Chair proceeded to the Contract Adjustments (Exhibit B).

Bid Letting Adjustments

Mr. Polasek reported on five projects under this category.

Item 2003-43 results from a change in the asphalt specifications. Since 1999, an E-type mixture had been used as the primary surface course. Continued monitoring of projects revealed that in a few cases a premature loss in friction on the roadway surface was noted. As a result, specifications were reviewed and a new test procedure to restrict the amount of aggregates for use in the mixture, which contributes to premature friction loss, was implemented. He noted that Item 2003-43 is the first project involved in the decision by the department to make some corrections to the testing procedure. It is anticipated that a small number of similar projects will be brought to the STC over the course of the next six months. He indicated that the department is confident that the problem has been resolved. When the problems surfaced, he stated, staff of the department worked closely with the paving association to achieve a joint resolution.

Item 2003-46 relates to a project in the north region and a process known as value engineering, a process where a contractor may approach the department and make a proposal to make changes to a project that will result in an overall cost savings to the department. Part of this procedure entails a very close review process between the MDOT and the FHWA and paying the contractor a percentage of the cost savings that he has identified. The payment requested is the result of the process which provides the contractor an opportunity to come to the department to achieve an overall cost savings on the project.

Item 2003-48 relates to a project on I-75 in Genesee County. He noted that the project had been brought to the Commission before with respect to a moveable concrete barrier. The project is significantly over budget-the original estimate on the project was \$33.4 million; it is now up to approximately \$39 million. Mr. Polasek noted that meetings with the TSC manager had been held regarding the project and that a review would continue to determine what mistakes were made by the department and what can be learned and corrected.

Item 8-1 is a project in the Metro region. Mr. Polasek explained the situation involved soil borings and the underlying material. Design staff had determined that the old pavement could be removed and new placed on top of existing sand and clay. At construction, when the old pavement was removed, contaminated material was discovered under the roadway resulting in the excavation of the old material and replacing with new.

Item 8-2, a small project, involves the compensation of the contractor for additional work associated with slope restoration. A review of the process for slope restoration is ongoing and will be discussed at the fall region engineers' conference. Efforts are being made to make immediate corrections to the estimating process.

Mr. Polasek entertained questions from the Commission.

The Chair entertained a motion to approve Exhibit B.

Moved by Commissioner Awrey, with support from Commissioner Garside, to approve Exhibit B. MOTION CARRIED.

The Chair recalled Myron Frierson, Director of Finance and Administration, to present the next item for consideration.

IV. RESOLUTIONS – MYRON FRIERSON

Mr. Frierson directed STC attention to four resolutions contained in their notebooks.

Interest Rate Lock for Variable Rate Notes

Resolution one allows the department to take advantage of market conditions to lock in a fixed interest rate on the GARVEE notes-short-term notes with a variable interest rate which adjusts each week. He asked for Commission approval to lock in a fixed rate within parameters of no more than three years and a rate not to exceed 1.5 percent. Currently, the department is paying .85 percent on the GARVEE. The average interest rate over the life of the GARVEE (\$400 million issued in 2000 and 2001) has been 1.37 percent. For the \$200 million issued in September 2002, the average interest rate has been at 1.16 percent. If the department is able to lock in an interest rate immediately, the average interest rate for one year would be 1.16 percent; the rate for two years, 1.71 percent. Mr. Frierson indicated that interest rates will likely increase; that this would hedge against those increases.

State Trunkline Fund Refunding

The second resolution identifies market conditions that will allow the department to refund some of the state trunkline debt. Over the past few years, the department has been aggressively attempting to refund this debt as a means to reduce capital costs. He asked for Commission approval to explore these opportunities. Current rates are at approximately four (4) percent.

Delegation for Intent to Bond

The third resolution is an amendment to a resolution approved by the STC in April 1995, where the department director was granted -authority to designate projects prior to a bond issue in the form of state trunkline bonds. Mr. Frierson asked for the same designation with respect to Comprehensive Transportation Bonds. The designation is necessary to comply with IRS regulations. It will allow the department to designate a project and use the proceeds from a future bond issue to reimburse the department.

Chairman Wahby asked that this process be spelled out in a written procedure.

Build Michigan II Project List Amendment

The fourth resolution would reprogram the Build Michigan II project bond list. Initially, the list was comprised of over \$1 million in projects. He asked for Commission approval to revise the list to \$600 million in accordance with the issuance of short-term notes. He directed the Commissioners' attention to the project list attached.

Ms. Lockwood interjected that a revision to the resolution contained in the Commissioners' notebooks, dated 7/30/03, would revise the adoption date to November 30, 2000.

Chairman Wahby requested that a study session be scheduled to review the total amount of debt incurred by MDOT.

Mr. Frierson asked that individual votes be taken on each of the resolutions.

The Chair entertained a motion on Resolution 1.

Moved by Commissioner Jackson, with support from Commissioner Awrey, to approve the first resolution - Interest Rate Lock for Variable Rate Notes. Whereupon, through a roll call vote, the MOTION CARRIED.

Moved by Commissioner Baillod, with support from Commissioner Awrey, to approve the second resolution - State Trunkline Fund Refunding. Whereupon, through a roll call vote, the MOTION CARRIED.

Moved by Commissioner Garside, with support from Commissioner Jackson, to approve the third resolution - Delegation for Intent to Bond. Whereupon, through a roll call vote, the MOTION CARRIED.

Moved by Commissioner Bender, with support from Commissioner Jackson, to approve the fourth resolution - Build Michigan II Project List Amendment-with the revision noted. Whereupon, through a roll call vote, the MOTION CARRIED.

Chairman Wahby thanked Mr. Frierson and reiterated his desire that a study session be scheduled for the Commission. Director Jeff responded affirmatively.

V. PRESENTATIONS

Turning to the next item for consideration, the Chair called on Ms. Brenda O'Brien, P.E., Construction and Technology.

Ms. O'Brien's report to the Commission is paraphrased as follows:

In July 2002, the STC passed Policy 10136 on Noise Abatement, which provided a small amount of funding for noise abatement on Type 2 noise abatement structures. MDOT subsequently developed procedures and rules for implementation of the noise abatement policy, and those procedures, along with the policy, were reviewed by the FHWA. The Federal Highway Administration has requested minor revisions, which have been incorporated in the policy. Ms. O'Brien directed the Commissioners' attention to a

stricken portion in the policy and included in the handouts provided. She emphasized that the content of the policy remains intact with only minor revisions. She asked for the Commission's approval on the revised policy slated for immediate implementation.

Moved by Commissioner Awrey, with support from Commissioner Bender, to approve the revised policy on noise abatement. MOTION CARRIED.

The Chairman called on Ms. Pat Lockwood, Commission Advisor, for the next presentation.

Ms. Lockwood's report to the Commission is paraphrased as follows:

Transportation Asset Management Council

The Transportation Asset Management Council has begun to undertake its primary objective of collecting condition data on 43,000 miles of federal aid roads through project authorization with metropolitan and regional planning organizations. The coordination of the data and collection efforts were approved by the Ad Board on July 15. Training for data collection has begun. Two training sessions per week will be held around the state until the end of August, with data collection to begin August 4 in Alcona County. The Assets Management Council will provide regular updates on the progress of the program. Ms. Lockwood noted that this project will be the first undertaking of its kind in the state since 1984. The Council's FY 04 budget was approved intact by the Legislature. The budget proposed for FY 05 will be presented to the STC for approval at the August meeting.

No official action on this item was required.

The Chair proceeded to the next item on the agenda, Interstate Traveler-Alternative Rail Passenger Service.

Mr. Ed Noyola, Legislative Consultant, representing the Interstate Traveler Company, provided introductory remarks, paraphrased as follows:

The Michigan Legislature, back in April and May, passed House Resolution 23 and Senate Resolution 89, urging Congress to support the funding of any application consistent with the subject concept. The Legislature also pledged its support in urging MDOT to consider the alternative transportation concept as a future mode of transportation. With that, he introduced Mr. Justin Sutton, founder of the Interstate Traveler Company.

Prior to his remarks, Mr. Sutton introduced three associates in attendance, Mr. Frank Sutton, his father, former Congressman Dick Chrysler, and Ms. Lark Samouelian. With

the aid of PowerPoint, Mr. Sutton briefed the Commissioners on the *Interstate Traveler Project*, a proposal to construct a mass-produced elevated mass transit system using solar powered hydrogen production and hydrogen fuel cell technology. He spoke on the advantages and the opportunities available through this technology. He indicated that the project had been under development since 1995. A handout of Mr. Sutton's presentation is attached to the official record. For more information on the project, please contact Mr. Sutton at Justin@InterstateTraveler.us.

Mr. Chrysler provided follow-up to Mr. Sutton's presentation. He advised that the founders of the Interstate Traveler Project were hopeful that the project could remain in Michigan. He spoke of the tremendous potential for revenue to federal, state and local governments and explained how the system could reduce the volume of truck traffic as well as accidents on the highways. The system, he added, is environmentally friendly, and has the potential for creating a tremendous number of jobs for the entire world.

A discussion on the technical aspects of the project followed, with Messrs. Sutton and Chrysler responding to Commissioners' questions.

The Chair thanked Mr. Sutton for a very informative demonstration. He opened the floor for comments from the public.

VI. PUBLIC COMMENTS

No requests for comment were received from those in attendance.

There being no further business to come before the Commission, the Chairman declared the meeting adjourned at approximately 10:45 a.m.

The next meeting of the Michigan Transportation Commission will be held in Benton Harbor, on August 28, 2003, commencing at the hour of approximately 9:00 a.m.

Recorded by Barbara A. Burris, Michigan Aeronautics Commission.

Patricia A. Lockwood
Commission Advisor